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ABSTRACT

This paper reports on a study of higher education health-care coverage for retirees including trends in coverage since 1987, major current provisions of institutions' coverage, and program cost controls. A total of 1,6701 institutions responded to a retiree heath-care survey. Among the findings were: (1) 61 percent of colleges and universities and 21 percent of independent schools now provide continued participation of retirees in their group health insurance plan; (2) 93 percent of colleges and universities and 76 percent of independent schools cover spouses but not dependents (public colleges more likely than private to offer spouse coverage); (3) most plans incorporate specific eligibility requirements, usually a specific years-of-service requirement or a requirement that combines age and service; (4) trends show more detailed eligibility requirements now compared to 1987; (5) for retirees under 65, about 25 percent of those from 4-year institutions currently pay the full cost of retiree coverage; (6) 42 percent of 4-year institutions offer one type of plan while 33 percent offer two plans and 22 percent offer three plans; (7) dental care and vision care are usually offered separately from the principal health-care plan or may not be offered at all; (8) nearly all plans cover prescription drugs; and (9) the incidence of cost containment features has increased substantially over the past 5 years. (JB)

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# Research Dialogues

Issue Number 36

March 1993

A publication of External Affairs — Policyholder and Institutional Research

## Survey of Group Health-Care Plans for Retired Employees of Colleges, Universities, and Independent Schools

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# Research Dialogues

Issue Number 36

March 1993

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## Survey of Group Health-Care Plans for Retired Employees of Colleges, Universities, and Independent Schools

*This issue of* Research Dialogues *reports on a survey of the provisions of employer-sponsored group health-care plans for retirees of colleges, universities, and independent schools. The survey was carried out by TIAA-CREF in mid-1992 with the cooperation of the National Association of College and University Business Officers.*

### Introduction

The purpose of the survey was (1) to determine the extent to which educational institutions are now providing health-care coverage for retirees under their group health insurance plans; (2) to examine trends in retiree coverages that have taken place since our previous survey in 1987; (3) to describe the major current provisions of institutions' retiree coverages; and (4) to learn something about the health-care cost controls that have been introduced in the plans of educational institutions in recent years or are now being considered.

Interest in the extent and design of current health-care plans for retirees has sharply increased since the recent issue of the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards, no. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The statement applies to nongovernmental employers including nonprofit organizations. It requires accrual accounting for fiscal years beginning after December 15, 1992 (after December 15, 1994, for small institutions as defined by the statement) for retiree health-care and other postretirement benefits and provides for transitional amortization of accumulated benefit obligations. A similar statement for governmental employers is expected to be issued by the Governmental Accounting Standards Board (GASB) in the next few years.[1]

### The Survey Group

Our survey universe consisted of all colleges, universities, and independent schools with TIAA-CREF retirement plans. A total of 1,601 institutions responded to the retiree health-care survey—1,044 colleges and universities and 557 independent schools. The response rate for the colleges and universities was 65%; for independent schools, 62%.

### Extent of Retiree Health-Care Coverage

Sixty-one percent of the colleges and universities and 21% of the independent schools report that they now provide for continued participation of retirees who are under age 65, age 65 and over, or both, in

**Table 1**

**Institutions Providing for Participation of Retired Employees in Employer-Sponsored Group Health-Care Plans, by Percent[a]**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total institutions responding | n=1,044 | n=875 | n=214 | n=661 | n=169 | n=152 | n=17 | n=557 |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Total with health-care coverage for retirees | n=639 | n=524 | n=197 | n=327 | n=115 | n=104 | n=11 | n=117 |
| | 61% | 60% | 92% | 50% | 68% | 79% | 65% | 21% |
| For retirees under 65 only | 4 | 4 | 2 | 5 | 5 | 5 | 5 | 4 |
| For retirees age 65 and over only | 3 | 3 | — | 4 | 1 | — | 5 | 3 |
| For retirees of both age groups | 54 | 53 | 90 | 41 | 62 | 73 | 22 | 15 |
| No response | * | * | * | — | — | — | — | — |

[a] Less than 1 percent

Percentages may not add to 100 because of rounding.

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### COBRA Coverage Provisions

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) prescribes rules under which employees and their qualified beneficiaries (including dependent children) who are covered under an employer's group health plan must be given the right to elect continued coverage under the plan if the coverage would otherwise have ended because of a designated "qualifying event." For employees, qualifying events include termination of employment—either voluntary or involuntary—and reduction of hours. For spouses or dependent children, the qualifying events are divorce or legal separation from or death of the covered employee, loss of dependent status as specified in the plan, and the employee's becoming eligible for Medicare.

If continuation of coverage is elected, the length of time it must be extended differs for employees and dependents. Generally, coverage may continue up to eighteen months for employees and up to thirty-six months for dependents. The continued coverages will end before the period of eighteen or thirty-six months if (1) the employer terminates all group health plans; (2) the required premiums are not paid on time; (3) the insured becomes covered under another group health plan, as long as such coverage does not contain a limitation with respect to a preexisting condition; or (4) the insured becomes entitled to Medicare.

Under COBRA, the insured may be required to pay a premium for the continued coverage of up to 102% of the cost to the plan for coverage of similarly situated individuals. In no case can the employer require evidence of insurability as a condition for electing the continuation of coverage.

their group health insurance plan or plans.[3]

Table 1 shows by institutional type and control the reported extent of health-care plans for retirees. By retiree groups covered, 54% of college and university plans cover retirees who are under 65 and those 65 and over; 5% cover only retirees age 65 and over; and 41% cover just retirees under age 65, that is, until they reach the age of eligibility for Medicare. Table 1 also shows that, while 92% of public four-year institutions report health-care coverage of retiree groups, just 50% of their private counterparts report such coverage.

Table 2 compares the results of the current survey with the survey we conducted in 1987, as reported in *Research Dialogues*, no. 19, October 1988. (Both the 1987 and the 1992 surveys covered colleges, universities, and independent schools with TIAA-CREF retirement plans, but it should be noted in comparing the two surveys that not all institutions responding to the first survey responded to the second, and vice versa.[4]) Further, we can make comparisons of data from the 1987 and 1992 surveys only on certain questions, since the survey questionnaire in 1987 was relatively brief compared with the questionnaire for the 1992 survey.)

Institutions offering just the limited group health insurance continuation mandated for terminated employees by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) were not counted as providing retiree coverage in either the 1992 or the 1987 health-care surveys. See the box at left for a description of COBRA coverage.

Table 2 shows a decline over the 1987–1992 period in the proportion of institutions offering employer-provided health-care coverage for retirees under age 65—from 70% of colleges and universities in 1987 to 58% in 1992, and for retirees age 65 and over—from 74% of colleges and universities in 1987 to 57% in 1992.[5] There is a pronounced difference in these changes according to institutional control. In public four-year institutions, employers with coverage for retirees age 65 and over remained essentially unchanged—91% in 1987 and 90% in 1992; for their coverage of retirees under age 65, there was a slightly greater decline—from 96% of public-sector employers in 1987 to 92% in 1992. In private four-year institutions, the reported coverage declined substantially: for retirees under age 65, from 72% of employers in 1987 to 46% in 1992, and for retirees age 65 and over, from 67% in 1987 to 45% in 1992. A greater decline is evident in independent schools—to 18% for coverage of retirees both under 65 and age 65 and over in 1992, from just over half in 1987.

*Comparison with Industry Survey.* A 1990 national survey of 1,962 public- and private-sector employers by A. Foster Higgins & Co. reported that 60% provide

**Table 2**

**Provision for Participation of Retired Employees in Employer-Sponsored Group Health-Care Plans, by Percent**

**Comparison of 1992 and 1987 Surveys**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| **1992 Survey** | n=1,044 | n=875 | n=214 | n=661 | n=169 | n=132 | n=37 | n=355 |
| Retirees under age 65 | 58% | 57% | 92% | 46% | 67% | 78% | 27% | 18% |
| Retirees age 65 and over | 57 | 56 | 90 | 45 | 65 | 75 | 25 | 18 |
| **1987 Survey** | n=660 | n=574 | n=152 | n=442 | n=86 | n=67 | n=19 | n=269 |
| Retirees under age 65 | 70% | 78% | 96% | 72% | 90% | 94% | 72% | 53% |
| Retirees age 65 and over | 74 | 75 | 91 | 67 | 85 | 88 | 74 | 54 |



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retiree health-care coverage for retirees under age 65, and 54% for retirees age 65 and over.[5] A 1989 survey covering 5,500 companies by the General Accounting Office reported that 43% of companies with over five hundred employees provide retiree health-care coverage.[6]

### Coverage of Spouse and Dependents

Under health-care plans for retirees, most employers also offer coverage for a spouse and eligible dependents, usually children under a specified age. For retirees under age 65, 2% of the colleges and universities and 9% of the independent schools report that they offer coverage for the retiree but not the spouse. Some plans cover the spouse but not other dependents, a provision that is reported by 93% of college and university plans and by 76% of independent school plans.

Table 3 shows the extent of spousal and dependent coverage. The figures indicate some differences between public and private institutions. Public institutions are more likely to offer spousal and dependent coverage than are private institutions. Thus, for coverage under age 65, 100% of public four-year institutions report coverage for a retiree and spouse, compared with 89% of private four-year institutions. For coverage at and over age 65, 98% of public institutions and 86% of private institutions report coverage for both retiree and spouse.

For retirees age 65 and over, the majority of plans that provide retiree benefits also cover retirees' dependents. But the survey shows that employers with coverage for retirees age 65 and over are slightly less likely to offer the plan to dependents than they are in the plans covering retirees under age 65.

**Table 3**

Eligibility of Spouse and Other Dependents for Health-Care Coverage According to Whether Retiree Is under Age 65 or Age 65 and over, by Percent

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total with health-care coverage for retirees | n=639 | n=524 | n=197 | n=327 | n=115 | n=104 | n=11 | n=117 |
| **Retirees under age 65** | | | | | | | | |
| Offered to retiree but not spouse | 2% | 2% | —% | 3% | 3% | 3% | —% | 9% |
| Offered to retiree and spouse | 93 | 93 | 100 | 89 | 96 | 96 | 91 | 76 |
| Offered to retiree, spouse, and other dependents | 86 | 85 | 96 | 78 | 88 | 89 | 82 | 57 |
| **Retirees age 65 and over** | | | | | | | | |
| Offered to retiree but not spouse | 5 | 5 | — | 5 | 5 | 3 | 27 | 13 |
| Offered to retiree and spouse | 90 | 91 | 98 | 86 | 87 | 90 | 55 | 72 |
| Offered to retiree, spouse, and other dependents | 80 | 80 | 94 | 71 | 80 | 84 | 46 | 52 |

**Table 4**

Coverage of Spouses — Whether Limited to Spouses at the Time of Retirement or Including Those Becoming Spouses at a Later Time

Institutions Where Spouses Are Eligible for Health-Care Coverage, by Percent

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total with health-care coverage for spouses | n=617 | n=506 | n=196 | n=310 | n=111 | n=101 | n=10 | n=101 |
| Limited to spouses at time of retirement | 40% | 42% | 21% | 56% | 31% | 29% | 50% | 58% |
| Including those who become spouses at a later time | 57 | 55 | 77 | 42 | 63 | 65 | 40 | 31 |
| No response | 3 | 3 | 2 | 3 | 6 | 6 | 10 | 11 |

**Table 5**

Eligibility Requirements for Retirees' Participation in the Group Health-Care Plan, by Percent

| Eligibility Requirements | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| **Retirees under age 65** | n=610 | n=497 | n=196 | n=301 | n=113 | n=103 | n=10 | n=100 |
| Years-of-service requirement only | 18% | 18% | 19% | 16% | 18% | 18% | 20% | 18% |
| Age requirement only | 2 | 2 | 3 | 2 | 2 | 2 | — | 4 |
| Age-plus-service requirement | 54 | 56 | 56 | 57 | 44 | 46 | 30 | 41 |
| Eligibility no matter how long with institution[a] | 23 | 21 | 18 | 23 | 32 | 31 | 40 | 35 |
| Other | 2 | 2 | 4 | 1 | 2 | 2 | — | 1 |
| No response | 1 | * | * | 1 | 3 | 2 | 10 | 1 |
| **Retirees age 65 and over** | n=597 | n=491 | n=193 | n=298 | n=106 | n=97 | n=9 | n=99 |
| Years-of-service requirement only | 37% | 38% | 41% | 36% | 33% | 35% | 11% | 36% |
| Age requirement only | 2 | 2 | 3 | 2 | — | — | — | 3 |
| Age-plus-service requirement | 27 | 28 | 26 | 29 | 26 | 24 | 56 | 16 |
| Eligibility no matter how long with institution[a] | 29 | 28 | 24 | 30 | 35 | 35 | 33 | 43 |
| Other | 3 | 3 | 4 | 2 | 2 | 2 | — | 1 |
| No response | 2 | 2 | 2 | 2 | 4 | 4 | — | — |

* Less than 1 percent

[a] Generally in these plans, formal retirement as defined by the institution establishes eligibility for retiree health-care plan participation.

*New Spouses after Retirement* Our survey asked whether spousal coverage is limited to spouses who are married to retirees at the time of retirement, or includes those who become spouses at a later time. Table 4 shows that quite a few institutions exclude from spousal coverage the marriage partners of retirees when marriage takes place after retirement. Overall, 40% of colleges and universities and 58% of independent schools exclude spouses who gain that status from postretirement marriage or remarriage. There is a difference among public and private institutions. While 21% of public four-year institutions and 29% of public two-year institutions limit coverage to the spouse at the time of retirement, a much higher proportion of private four-year institutions (56%) and of private two-year institutions (50%) limit the coverage to spouses at the time of retirement.

## Eligibility Requirements for Retiree Coverage

Institutions with group health-care coverage for retirees can open the plan to all retirees without restriction or can impose eligibility requirements. Most plans incorporate specific eligibility requirements, usually a years-of-service requirement or one that combines age and service, often with internal combined minimums for the two components. An example of the latter is the frequently used "rule of 70," which might incorporate a minimum age requirement of 55 and a minimum service requirement of ten years, but with total service and age required to add up to at least 70 for coverage eligibility.

For health coverage when retirement is before age 65, 18% of all colleges and universities have only a years-of-service requirement; 54% have a requirement combining age and service. Where retirees are covered for the health-care plan without specific age or years-of-service requirements—23% of all colleges and universities—eligibility is usually based on meeting the institution's own policy statement regarding retirement status. The distribution of eligibility provisions is shown in Table 5.

For health coverage eligibility when retirement is at 65 and over, a significantly smaller percentage of institutions report a requirement that combines age and service; a higher proportion report a service-only requirement. Thirty-seven percent of all colleges and universities have only a service requirement for coverage for retirees at or after age 65; 27% have a combined age and service requirement; and 29% provide coverage based on retired status but without a specific age or service requirement.

Eligibility requirements at four-year public and private colleges and universities are not greatly different from each other. Thus, for those who retire before age 65, there is a combined age and service requirement at 56% of public and 57% of private four-year institutions, and for those who retire at or after age 65, at 26% of public and 29% of private four-year institutions.

Among independent schools, 41% report a combined age and service requirement for health-care coverage for those retiring before age 65, and 16%, for those who retire at age 65 and over.

*1987-1992 Change* Compared with our 1987 survey, the 1992 data show that plan eligibility requirements are



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now more detailed. Eligibility of retirees per se without specific restriction has declined; the use of service, or combined age and service, requirements has increased. Table 6 compares the responses in the two surveys, both for those who retire before age 65 and for those who retire at age 65 and over.

*Single Service or Age Points—Retirement before Age 65* For those who retire before age 65, where eligibility for health-care coverage is determined by years of service only, the most frequently stated requirement is ten years (49% of colleges and universities and 33% of independent schools). Five years is the next most frequent (21% of colleges and universities and 22% of independent schools).

Where there is only an age requirement for those who retire before age 65, age 55 is the most frequently stated minimum age of eligibility in colleges and universities (46%), and age 60 in independent schools (50%). The next most frequently required eligibility ages at colleges and universities are age 60 (15%) and ages 61 or 62 (15%), and at independent schools, age 55 (25%) and ages 61 or 62 (25%).

*Combined Service and Age Requirements—Retirement before Age 65* Where age and service are combined in a plan's statement of eligibility requirements for employees who retire before age 65, the most frequently reported eligibility ages at colleges and universities are age 55 (47%); age 60 (20%); and ages 61 or 62 (13%). At independent schools, the most frequently stated ages are the same, but in different proportions—age 55 (37%); age 60 (22%); and ages 61 or 62 (20%).

For the service component of a combined age and service requirement, at colleges and universities the most frequently reported requirement is ten years (46%); this was followed by eleven to nineteen years (13%) five years (12%); and twenty years (9%). For independent schools, the most frequently reported service components are, in order, ten years (49%); eleven to nineteen years (20%); twenty years (12%); and five years (7%).

Only about a quarter of the colleges and universities that specify a combined age and service requirement for those retiring before age 65 answered a question about a minimum total for the two components added together. Most of those who responded state a rule of 70 (19%) or of 75 (23%). A rule of 65 is reported by 17%, and a rule of 80 by 17%. Only 10% of independent schools indicated a combined minimum figure; most of these have a rule of 70.

*Single Service or Age Points—Retirement at or after Age 65* For health-care coverage of employees who retire at or after age 65, where eligibility is determined by service, the most frequently stated requirement is ten years (54% of colleges and universities and 36% of independent schools). Five years is the next most frequent (23% of colleges and universities and 22% of independent schools).

Where there is only an age requirement for health-care coverage of employees retiring at or after age 65, the most frequently reported eligibility age is 65 for colleges and universities (46%) and for independent schools (100%).

*Combined Service and Age Requirements—Retirement at or after Age 65* For the service component of a combined requirement for those who retire at or after age 65, at colleges and universities ten years is the most frequently stated provi-

**Table 6**

**Eligibility Requirements for Retiree Health-Care Coverage for Retirees under Age 65 and Age 65 and over, by Percent[a]**

**Comparison of 1992 and 1987 Surveys**

| Eligibility Requirements | Four-Year Institutions 1992 | Four-Year Institutions 1987 | Two-Year Institutions 1992 | Two-Year Institutions 1987 | Independent Schools 1992 | Independent Schools 1987 |
|---|---|---|---|---|---|---|
| Retirees under age 65 | n=497 | n=445 | n=113 | n=77 | n=100 | n=142 |
| Age and years of service | 56% | 38% | 44% | 35% | 41% | 20% |
| Years of service only | 18 | 13 | 18 | 13 | 18 | 9 |
| Age only | 2 | — | 2 | — | 4 | — |
| Eligibility no matter how long with institution[b] | 21 | 35 | 32 | 40 | 35 | 59 |
| Pension eligibility | — | 3 | — | 8 | — | 1 |
| Other no response | 3 | 2 | 5 | 1 | 2 | 1 |
| Retirees age 65 and over | n=491 | n=418 | n=106 | n=73 | n=99 | n=144 |
| Age and years of service | 28% | 33% | 26% | 29% | 16% | 18% |
| Years of service only | 38 | 18 | 33 | 12 | 36 | 12 |
| Age only | 2 | 2 | — | 4 | 3 | 6 |
| Eligibility no matter how long with institution[b] | 28 | 42 | 35 | 47 | 43 | 61 |
| Pension eligibility | — | — | — | — | — | — |
| Other no response | 5 | 3 | 6 | 8 | 1 | 3 |

[a] Percentages may not add to 100 because of rounding.

[b] Generally in these plans, formal retirement as defined by the institution establishes eligibility for retiree health-care plan participation.



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**Table 7**

**Cost Sharing of Retiree Health-Care Coverage for Retirees under Age 65 and Age 65 and over, by Percent***

**Comparison of 1992 and 1987 Surveys**

| | Four-Year Institutions | | Two-Year Institutions | | Independent Schools | |
|---|---|---|---|---|---|---|
| | 1992 | 1987 | 1992 | 1987 | 1992 | 1987 |
| **Retirees under age 65** | n=471 | n=425 | n=107 | n=73 | n=93 | n=128 |
| Employer pays full cost | 26% | 25% | 34% | 33% | 22% | 15% |
| Retiree shares cost** | 20 | 24 | 29 | 15 | 14 | 6 |
| Up to 49% | 25 | 15 | 5 | 6 | 6 | 1 |
| Half | 8 | 5 | 7 | 8 | 5 | 3 |
| 51% to 99% | 3 | 6 | 19 | 1 | 5 | 2 |
| Retiree pays full cost | 50 | 51 | 38 | 52 | 67 | 80 |
| **Retirees age 65 and over** | n=431 | n=401 | n=104 | n=68 | n=70 | n=124 |
| Employer pays full cost | 29% | 32% | 33% | 32% | 24% | 17% |
| Retiree shares cost** | 33 | 21 | 28 | 16 | 8 | 6 |
| Up to 49% | 25 | 15 | 21 | 4 | 1 | 2 |
| Half | 6 | 5 | 6 | 10 | 1 | 2 |
| 51% to 99% | 4 | 3 | 1 | 2 | 6 | 2 |
| Retiree pays full cost | 38 | 47 | 38 | 52 | 67 | 77 |

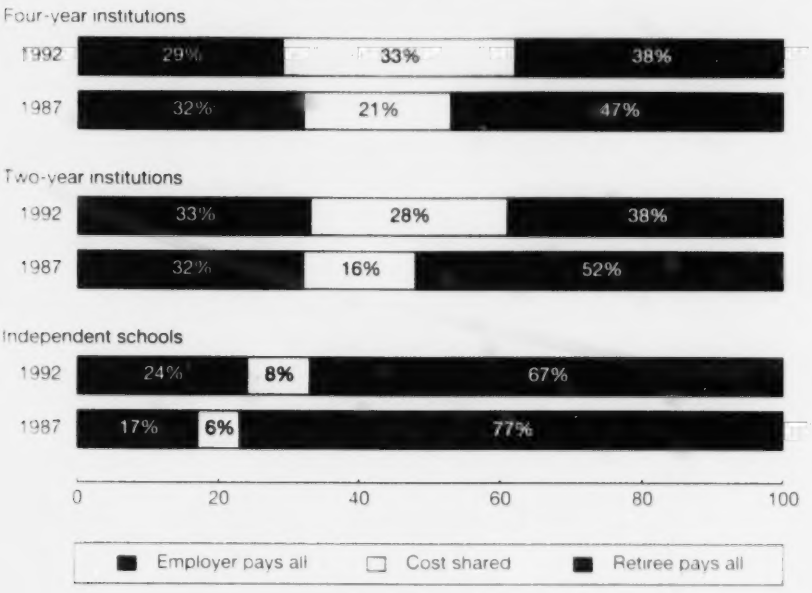
* Percentages may not add to 100 because of rounding.

** Percentages exclude institutions not responding to this question. In some plans, sharing proportions may vary according to retiree's contribution amount or service and age at retirement.

**Chart 1**

**Cost Sharing of Retiree Health-Care Coverage for Retirees Age 65 and over, by Percent***

**Comparison of 1992 and 1987 Surveys**




* Percents may not add to 100 because of rounding.

sion (49%), followed by five years (18%). For independent schools, the most frequently reported service component is ten years (63%), followed by eleven to nineteen years (19%); five years (15%); and twenty years (6%).

Twenty-six percent of the colleges and universities that have a combined age and service requirement for those who retire at or after age 65 answered the question about a minimum total for the two components added together. Of those who responded, 19% have a rule of 75; 27%, a rule of 70; and 19%, a rule of 80. For independent schools, the response to this question did not yield significant results.

## Paying the Cost of Retiree Coverage

The cost of retiree health-care coverage may be shared between employer and retiree or may be fully paid for by either the employer or the retiree. Generally, the cost-sharing arrangements among public and private institutions are similar. Table 7 shows the cost-sharing arrangements reported and compares the current survey's payment arrangements with those reported in the 1987 survey.

As the data in Table 7 indicate, for retirees under age 65, about a quarter of four-year institutions and a third of two-year institutions currently pay the full cost of retiree coverage. For retirees age 65 and over, employer-pay-all percentages are slightly higher in four-year institutions (29%) than for retirees under age 65



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(26%); in two-year institutions, the percentages are about the same.

Cost sharing by employers and retirees in four-year institutions in 1992 was reported by 86% for retirees under age 65 and by 53% for retirees age 65 and over. In two-year institutions, cost sharing was reported by 29% for retirees under age 65 and by 28% for retirees age 65 and over.

The largest percentages in Table 7 represent plans in which the full cost is paid by retirees. The 1992 survey indicates that in 38% of four-year institutions, retirees age 65 and over pay the full cost, and for the group under age 65, retirees pay the full cost in 39% of the institutions. In 38% of two-year institutions, the full cost is paid by retirees in both age groups.

In independent schools, while the percentage of employers paying the full cost in 1992 is not greatly different from that of colleges and universities, there is less cost-sharing and more plans in which the retirees pay the full cost of their coverage.

*Comparison with the 1987 Survey* Between 1987 and 1992, there has been a strong trend toward increased sharing of retiree health-care costs. In the four-year institutions, cost sharing for coverage under age 65 increased from 24% of institutions in 1987 to 36% in 1992, and for retirees age 65 and over, from 21% of institutions in 1987 to 33% in 1992. The same trend is also evident in independent schools. Chart 1 summarizes the cost-sharing arrangements for retirees age 65 and over reported in the 1992 and 1987 surveys.

*Cost of Spouse Coverage* Table 8 shows the current cost-sharing arrangements for retirees' spousal health-care coverage and compares the provisions reported in the 1992 and 1987 surveys. Compared with their coverage for retirees, fewer employers pay the full cost of spouse coverage. For spouse coverage for retired employees under age 65, full payment by employers is reported by 12% of four-year and 16% of two-year institutions; for spouse coverage for retirees age 65 and over, full employer payment is reported by 14% of four-year and 15% of two-year institutions. Among independent schools, about 10% pay the full cost of spouse coverage for all retirees. Overall, among all types of institutions, a higher percent of retirees currently pay the full cost of spousal coverage than pay the full cost for their own health-care coverage. This was also the case in 1987.

*Trend in Cost Sharing for Spouse Coverage* Over the 1987-1992 period, there was a slight decline in the percent of institutions paying the whole cost of spouse coverage and an increase in cost sharing. In four-year institutions, payment of the full cost of spouse coverage declined from 14% to 12% of institutions for retirees under age 65, and from 19% to 14% for spouses of retirees age 65 and over. Concurrently, the sharing of costs increased from 1987 to 1992—from 26% to 34% of four-year institutions for spouses of retirees under age 65, and from 23% to 32% for spouses of retirees age 65 and over. A similar trend is seen in two-year institutions. In independent schools, a mixed trend is observed; cost sharing increased from 8% to 14% for coverage of spouses of retirees under age 65, but decreased for coverage of spouses of retirees age 65 and over—from 8% in 1987 to 6% in 1992. And the percent of independent schools reporting retiree payment of the full cost increased from 79% to 85% for retirees age 65 and over, but decreased for those under age 65, from 82% to 76%.

## Medicare Part B

Part B of Medicare—Supplementary Medical Insurance—which covers physicians' charges, is financed by premium payments by enrollees together with contributions by the federal government. Premiums for Part B are set in advance for

**Table 8**

**Cost Sharing of Retiree Health-Care Coverage for Spouses of Retirees under Age 65 and Age 65 and over, by Percent[a]**

Comparison of 1992 and 1987 Surveys

| | Four-Year Institutions | | Two-Year Institutions | | Independent Schools | |
|---|---|---|---|---|---|---|
| | 1992 | 1987 | 1992 | 1987 | 1992 | 1987 |
| **Retirees under age 65** | n=454 | n=416 | n=100 | n=71 | n=87 | n=128 |
| Employer pays full cost | 12% | 14% | 16% | 23% | 10% | 10% |
| Retiree shares cost[b] | 34 | 26 | 35 | 21 | 14 | 8 |
| Up to 49% | 22 | 16 | 21 | 11 | 8 | 2 |
| Half | 7 | 4 | 6 | 5 | 5 | 5 |
| 51% to 99% | 5 | 6 | 8 | 5 | 6 | 1 |
| Retiree pays full cost | 54 | 61 | 49 | 56 | 76 | 82 |
| **Retirees age 65 and over** | n=390 | n=390 | n=82 | n=66 | n=53 | n=124 |
| Employer pays full cost | 14% | 19% | 15% | 18% | 9% | 13% |
| Retiree shares cost[b] | 32 | 23 | 33 | 24 | 6 | 8 |
| Up to 49% | 21 | 14 | 22 | 11 | 4 | 4 |
| Half | 7 | 5 | 4 | 5 | — | 3 |
| 51% to 99% | 4 | 6 | 7 | 8 | 2 | 1 |
| Retiree pays full cost | 54 | 58 | 52 | 59 | 85 | 79 |

[a] Percentages may not add to 100 because of rounding.

[b] Percentages exclude institutions not responding to this question. In some plans, sharing proportions may vary according to retiree's contribution amounts or service and age at retirement.

**Table 9**

Types of Health-Care Plans Offered for Retirees
According to Whether Retiree Is under Age 65 or Age 65 and over, by Percent

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total with health-care coverage for retirees | n=639 | n=524 | n=197 | n=327 | n=115 | n=104 | n=11 | n=117 |
| **Retirees under age 65** | | | | | | | | |
| Conventional (indemnity) plan | 82% | 81% | 89% | 77% | 86% | 89% | 64% | 72% |
| Health maintenance organization (HMO) | 47 | 47 | 55 | 42 | 50 | 52 | 27 | 56 |
| Point-of-service HMO | 8 | 7 | 9 | 6 | 10 | 11 | — | 7 |
| Preferred provider organization (PPO) | 34 | 33 | 50 | 23 | 37 | 37 | 46 | 17 |
| **Retirees 65 and over** | | | | | | | | |
| Conventional (indemnity) plan | 77% | 77% | 86% | 71% | 77% | 81% | 46% | 64% |
| Health maintenance organization (HMO) | 42 | 41 | 51 | 36 | 46 | 49 | 18 | 50 |
| Point-of-service HMO | 5 | 4 | 7 | 2 | 8 | 9 | — | 8 |
| Preferred provider organization (PPO) | 27 | 25 | 40 | 16 | 35 | 32 | 46 | 15 |

each calendar year; in 1993 the Part B monthly premium is $36.60.

We asked whether the employer reimburses retirees for all or part of the Part B premium. Among colleges and universities, 9% report full reimbursement for Part B and 4%, part. The greatest differences were according to control of institution. We found that 10% of public four-year institutions reimburse for the full premium, while only 2% of private four-year institutions do. Among public two-year institutions, 26% reimburse for the full premium, compared with 9% of the private two-year institutions. In independent schools, 3% reimburse retirees for all of the Part B premium, and 2% for part of it.

Some respondents report that they reimburse retirees for the Part B coverage of spouses. Among public four-year institutions, 10% reimburse for the full spouse premium, and 5%, for part. Among private four-year institutions, the percentages are 1% for the full spouse premium, and 2%, for part. In public two-year institutions, 20% reimburse for the full spouse premium, and 6% for part, while 9% of private two-year institutions pay the full premium, and none make partial reimbursement. Among independent schools, the percentages are 1% reporting full reimbursement, and 2%, part.

## Types of Health-Care Plans for Retirees

We asked the institutions providing retiree health-care coverage about the types of plans offered. Some institutions offer one plan; others offer a choice. Our questions asked about four major plan types.

*Conventional Indemnity Plans* A conventional (insured or self-insured) indemnity health plan offers free choice of physician and hospital providers and incorporates deductibles and coinsurance percentages and "reasonable and customary" limits for reimbursement of "fee-for-service" medical expenses for physicians and for prescription drugs. It may also include provisions for case management, utilization review, precertification for hospital admission, or other cost controls. A typical plan of the conventional type is a Blue Cross/Major Medical plan.

*Health Maintenance Organizations (HMOs)* HMOs are closed systems for managed medical care and hospitalization under which participants are not reimbursed for hospital and physicians' services received outside the HMO network, except for emergencies. At many institutions, more than one HMO may be offered, but our survey did not ask for the number within a basic plan type.

*Point-of-Service Health Maintenance Organizations* Under a point-of-service HMO, participants decide at the time they need the care whether to use the HMO or, alternatively, to use care providers not related to the HMO. If they use an outside provider, they can be reimbursed up to a "reasonable and customary" limit subject to prescribed deductible and coinsurance provisions.

*Preferred Provider Organizations (PPOs)* Under a plan operated by a PPO, there is a designated list of hospitals and doctors for the provision of medical services at a relatively low or nominal cost to the participant, with strong built-in financial incentives to use the low-cost network. Participants may use care providers outside the network, but at a higher cost. Out-of-network services are reimbursed up to "reasonable and customary" limits and are subject to prescribed deductible and coinsurance amounts.

## Extent of Plan Types Offered

Table 9 shows the reported types of retiree health-care plans offered according to type and control of institution and accord-



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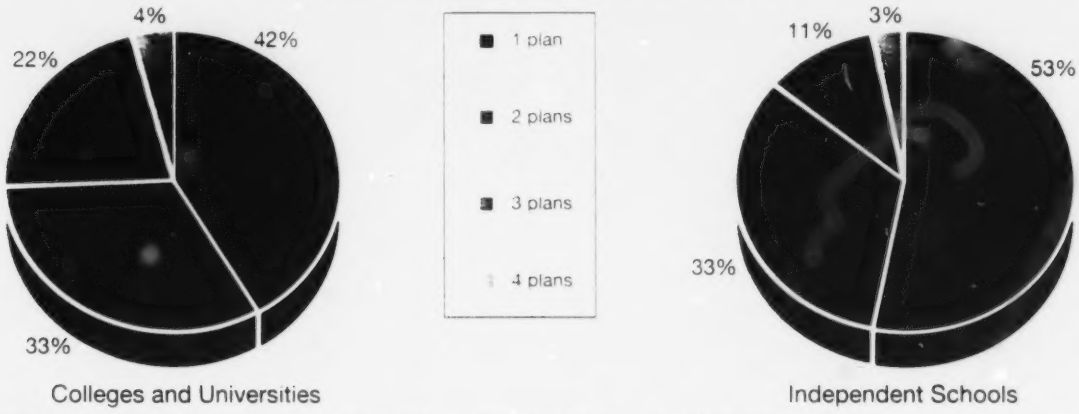
**Chart 2**

**Numbers of Basic Types of Health-Care Plans Offered to Retirees, by Percent***

**Plans Offered to Retirees under Age 65, Age 65 and over, or Both**




*Excludes institutions with retiree health-care coverages not answering this question. In each plan type, more than one plan (HMOs, for example) may be offered. Percents may not add to 100 because of rounding.

ing to whether the plan is offered to employees who retire before age 65 or at age 65 and over. Conventional indemnity plans predominate, but they are often offered along with other types of plans. Among all colleges and universities reporting health-care coverage for retirees under age 65, 82% report a conventional plan; 47%, an HMO; 8%, a point-of-service HMO; and 34%, a PPO. Among independent schools, 72% offer a conventional plan; 56%, an HMO; 7%, a point-of-service HMO; and 17%, a PPO.

For coverage of retirees age 65 and over, 77% of the colleges and universities report a conventional plan; 42%, an HMO; 5%, a point-of-service HMO; and 27%, a PPO.

Generally, when public and private colleges and universities are compared, more public institutions report HMOs or PPOs than do private institutions; the differences are less pronounced among the two-year institutions. Thus, for coverage of retirees age 65 and over, 51% of public four-year institutions offer HMOs, compared with 36% of private four-year institutions; 40% of public four-year institutions offer PPOs, compared with 16% of private four-year institutions. Independent schools are somewhat less likely than private colleges and universities to offer plans other than a conventional indemnity type.

### Numbers of Plan Types Offered

Many HMOs and PPOs, if not most, operate locally but not nationally. Thus, offering retirees more than one type of plan provides flexibility of choice, desirable for employees but especially desirable for retirees, who may relocate in retirement. Since indemnity plans can be used virtually anywhere, the needed flexibility is at least one factor that can account for their predominance in the repertoire of plans for retirees (Table 9), as well as for their status as the plans with the largest retiree enrollments (Table 11). However, HMOs with multiregional units or PPOs with their out-of-network options may also accommodate retirees' needs for flexibility.

Chart 2 shows for colleges and universities and for independent schools the distribution of the numbers of basic health-care plan types offered.

### Dental Care and Vision Care Plans

Dental care and vision care plans are usually provided separately from the principal health-care plans, or may not be offered at all. Our survey asked whether retirees are covered by plans providing for dental care and for vision care.

*Dental Care.* For dental plans, among colleges and universities, 42% offer a plan for retirees and 58% do not. Two-thirds of the dental plans for retirees in the colleges and universities are provided as a separate plan, one-third as part of another plan. Among independent schools, 54% offer a dental plan and 66% do not; about 40% of the school dental plans are offered separately from other health-care coverage.

Public institutions are more likely to provide dental coverage for retirees than private institutions. Among public four-year colleges and universities, 51% offer a retiree dental plan, compared with 32% of the private four-year institutions. Among public two-year institutions, 62% offer a retiree dental plan, compared with 27% of private two-year colleges.

*Vision Care.* Vision care plans covering eyeglasses, eye examinations, and prescriptions are generally reported by fewer institutions than those offering dental care plans. Among the colleges and universities, 26% offer a retiree vision care plan, and 74% do not. Thirty percent of the vision care plans in the colleges and universities are provided as a separate plan, 70% as part of another plan. Among independent schools, 21% offer a vision care plan, and 79% do not, with about 20% of the vision care plans offered as separate from other health-care coverage, and 80% of them as part of another health-care plan.

As with dental plans, public institutions are more likely to provide vision care coverage for retirees than are private institutions. Among public four-year colleges and universities, 29% offer a plan, compared with 22% of the private four-year institutions. Among public two-year institutions, 35% offer a vision care plan for retirees, compared with 9% of private two-year colleges.

**Table 10**

Provision of Dental and Vision Care Coverage for Retirees, by Percent[a]

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total with health care coverage for retirees | n=639 | n=524 | n=197 | n=327 | n=115 | n=104 | n=11 | n=117 |
| Dental care plan | | | | | | | | |
| Provided | 42% | 39% | 51% | 32% | 58% | 62% | 27% | 54% |
| Not provided no response | 58 | 61 | 49 | 68 | 42 | 39 | 73 | 46 |
| Vision care plan | | | | | | | | |
| Provided | 26% | 24% | 29% | 22% | 32% | 35% | 9% | 21% |
| Not provided no response | 74 | 76 | 71 | 78 | 68 | 65 | 91 | 79 |

[a] Percentages may not add to 100 because of rounding

**Table 11**

Type of Plan for Retirees Age 65 and over with Largest Retiree Enrollment, by Percent

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total with health-care coverage for retirees age 65 and over | n=597 | n=491 | n=193 | n=298 | n=106 | n=97 | n=9 | n=90 |
| Conventional (indemnity) plan | 70% | 72% | 74% | 71% | 59% | 61% | 33% | 67% |
| Preferred provider organization (PPO) | 13 | 12 | 15 | 10 | 16 | 14 | 33 | 8 |
| Health maintenance organization (HMO) | 4 | 4 | 2 | 4 | 4 | 3 | 11 | 5 |
| Point-of-service HMO | 1 | 1 | 2 | 1 | 1 | 1 | — | 2 |
| No response | 13 | 13 | 12 | 14 | 21 | 21 | 22 | 20 |

Table 10 summarizes the reported dental and vision care coverage for retirees at all institutions.

### Type of Plan for Retirees Age 65 and over with Largest Enrollment

We asked respondents to indicate the type of plan in which the largest number of retirees age 65 and over are enrolled—conventional indemnity, HMO, point-of-service HMO, or PPO. The responses are shown in Table 11.

Generally, conventional indemnity plans enroll most participating retirees. Among colleges and universities, 70% indicated the indemnity plan as the largest, followed by 13% that named a PPO (under which coverage of retirees with Medicare is likely to be "out of network"). Four percent named an HMO, and 1%, a point-of-service HMO.

In four-year colleges and universities, there is a slight difference between the proportion of public and private institutions reporting an indemnity plan as having the majority retiree enrollment—74% of public institutions, compared with 71% of private institutions. A greater difference is in the proportion of public four-year institutions naming a PPO as having the largest retiree enrollment—15%, compared with private four-year institutions—10%.

Among public two-year colleges, an indemnity plan is reported by 61% as having the largest retiree enrollment, and a PPO is reported as largest by 14%; 4% of the two-year colleges report an HMO as largest, and 1%, a point-of-service HMO. Among two-year private institutions, about a third report an indemnity plan, and another third a PPO. Among independent schools, 67% report an indemnity plan as the plan of majority enrollment, followed by 8% reporting a PPO, and 5%, an HMO.

### Coverage for Specific Benefits

We asked respondents to indicate whether or not certain specific benefits—in addition to physicians' services and hospital care—are provided under the plan with the largest enrollment. Our list sought to determine the availability of benefits that may or may not be provided in health-care plans.

Table 12 gives the responses. We found that prescription drugs are included in most plans for retirees—95% of four-year colleges and universities, 98% of two-year institutions, and 89% of independent schools.

Mail-order prescription drug plans (often installed as a means of cost con-

trol) are reported by 39% of public and 35% of private four-year colleges and universities, 52% of public two-year colleges, and 42% of independent schools. Generally, mail-order plans are more frequently reported when a PPO is the largest plan. About half of the PPO plans offered mail-order prescription drug plans.

Prescription cards, which generally permit prescription drugs to be obtained at designated local pharmacies at reduced cost, are reported by about the same percentage of public four-year institutions as mail-order prescriptions (39%), but by substantially fewer private four-year institutions (20%). The proportion of two-year institutions reporting prescription cards is higher than for four-year institutions—52% for the public two-year colleges and 57% for the private two-year colleges. In the independent schools, 25% report plans with prescription cards.

For outpatient mental health services for retirees, and for alcohol or drug abuse treatment, we generally found that over

**Table 12**

**Specific Benefits Provided under the Retiree Health-Care Plan with the Largest Enrollment, by Percent**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total plans reporting largest enrollment | n=509 | n=425 | n=170 | n=255 | n=84 | n=77 | n=7 | n=79 |
| Prescription drugs | 95% | 95% | 95% | 95% | 98% | 97% | 100% | 89% |
| Outpatient prescription drugs | 94 | 94 | 94 | 94 | 95 | 94 | 86 | 86 |
| Mail-order prescription drug plan | 39 | 37 | 39 | 35 | 51 | 52 | 43 | 42 |
| Prescription card | 32 | 28 | 39 | 20 | 52 | 52 | 57 | 25 |
| Outpatient mental health services | 94 | 93 | 95 | 92 | 94 | 94 | 100 | 87 |
| Alcohol or drug abuse treatment | 91 | 91 | 93 | 90 | 88 | 90 | 71 | 86 |
| Limited home health care | 85 | 85 | 85 | 86 | 83 | 86 | 57 | 65 |
| Chiropractic care | 82 | 82 | 87 | 80 | 77 | 78 | 71 | 60 |
| Limited nursing home care in a skilled nursing facility | 80 | 82 | 79 | 84 | 73 | 75 | 43 | 73 |
| Regular physical examinations | 47 | 44 | 51 | 40 | 60 | 60 | 57 | 34 |

**Table 13**

**Deductible Provisions Reported for the Retiree Health-Care Plan with the Largest Enrollment (Indemnity Plans), by Percent**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total reporting indemnity plan as largest retiree enrollment | n=416 | n=354 | n=143 | n=211 | n=62 | n=59 | n=3 | n=66 |
| Plan has a deductible provision | 95% | 95% | 98% | 93% | 97% | 97% | 100% | 94% |
| Type of Deductible | | | | | | | | |
| Single deductible | 91 | 91 | 90 | 92 | 92 | 92 | 100 | 88 |
| Family deductible | 78 | 76 | 80 | 74 | 89 | 88 | 100 | 73 |
| Deductibles vary according to premium | 2 | 2 | 4 | 1 | 3 | 3 | — | 3 |
| Don't know/not specified | 2 | 2 | 4 | * | — | — | — | 2 |
| Plan has no deductible provision | 4 | 4 | 2 | 6 | 3 | 3 | — | 3 |

*Less than 1 percent



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**Table 14**

**Size of Single Deductibles Reported for the Retiree Health-Care Plan with Largest Enrollment (Indemnity Plans), by Percent**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total reporting largest retiree enrollment in an indemnity plan with a single deductible | n=378 | n=321 | n=128 | n=193 | n=57 | n=54 | n=3 | n=58 |
| **Size of single deductible:** | | | | | | | | |
| Under $100 | 6% | 4% | 4% | 5% | 14% | 15% | —% | 4% |
| $100 | 34 | 34 | 25 | 42 | 35 | 32 | 100 | 38 |
| $101 - $199 | 10 | 13 | 25 | 8 | 25 | 26 | — | — |
| $200 | 19 | 20 | 16 | 23 | 11 | 11 | — | 41 |
| $201 - $299 | 11 | 12 | 13 | 10 | 5 | 6 | — | 14 |
| $300 | * | 8 | 10 | 6 | 5 | 6 | — | 3 |
| $301 - $499 | 1 | 2 | — | 3 | — | — | — | — |
| $500 - $750 | 2 | 3 | 5 | 2 | — | — | — | — |
| $751 and over | * | * | * | * | — | — | — | — |
| Don't know/no answer | 3 | 3 | 4 | 2 | 5 | 6 | — | — |

*Less than 1 percent

**Table 15**

**Size of Family Deductibles Reported for the Retiree Health-Care Plan with Largest Enrollment (Indemnity Plans), by Percent**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Total reporting largest retiree enrollment in an indemnity plan with a family deductible | n=325 | n=270 | n=114 | n=156 | n=55 | n=52 | n=3 | n=48 |
| **Size of family deductible:** | | | | | | | | |
| Under $100 | 3% | 3% | —% | 3% | 2% | 2% | —% | —% |
| $100 | 5 | 4 | 5 | 3 | 9 | 10 | — | — |
| $101 - $199 | 3 | 3 | 4 | 2 | 4 | 4 | — | 2 |
| $200 | 15 | 14 | 11 | 17 | 18 | 14 | 100 | 23 |
| $201 - $299 | 3 | 2 | 3 | 2 | 7 | 8 | — | 4 |
| $300 | 19 | 21 | 13 | 27 | 11 | 12 | — | 17 |
| $301 - $499 | 22 | 21 | 26 | 17 | 26 | 27 | — | 20 |
| $500 - $750 | 22 | 24 | 25 | 24 | 13 | 13 | — | 35 |
| $751 and over | 8 | 9 | 11 | 8 | 4 | 4 | — | — |
| Don't know/no answer | 3 | 2 | 4 | * | 7 | 8 | — | — |

*Less than 1 percent

90% of plans provide limited benefits of this type.

Limited amounts of home health care are included in the majority-enrollment retiree plans of most institutions. Generally, about 85% of public and private four-year colleges and universities offer a provision of this type, as do 86% of public two-year institutions, 57% of private two-year institutions, and 65% of independent schools.

Chiropractic coverage in retiree plans is reported by 87% of public and 80% of private four-year colleges and universities, by 78% of public and 71% of private two-year colleges, and by 60% of independent schools.

About four-fifths of the largest-enrollment health-care plans include coverage for limited nursing home care in a skilled nursing facility. This provision, and the home health-care provisions mentioned above, are usually made available following discharge from a hospital and may be designed, at least in part, as cost controls for what might otherwise be longer hospital confinements.

Provisions for regular physical examinations are reported in about half of the



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retiree plans in public four-year colleges and universities, and in about 40% of those of private four-year institutions. About 60% of two-year institutions report covering regular physical examinations, as do 54% of independent schools. Provisions for regular physical examinations are more frequently reported when a PPO plan, rather than an indemnity plan, is reported as having the largest enrollment.

### Deductibles and Coinsurance

*Deductibles* Where the retiree health-care plan with the largest enrollment was an indemnity plan, our survey asked about the plan deductible—single, family, or both—and whether the deductible varies according to retiree-paid premium level. The results are shown in Table 13 on page 11.

Indemnity plan deductibles are reported by 98% of public and 93% of private four-year colleges and universities, by 97% of public and 100% of private two-year colleges, and by 94% of independent schools. Relatively few plans report that deductibles vary according to retiree-paid premium levels.

The reported average amount of the single deductible for all colleges and universities is $200, a figure that does not vary significantly by type and control of institution. The average deductible was similar for independent schools. Table 14 shows the range of the reported single deductibles in indemnity plans by type and control of institution.

The reported family deductible amounts under the large-enrollment indemnity plans are shown in Table 15. Family deductibles concentrate at higher levels than the reported single deductibles, although, perhaps surprisingly, 23% of the colleges and universities report a family deductible of $200 or less, as do 25% of the independent schools. The average family deductible is $500 for public four-year colleges and universities and $400 for private four-year institutions. For public two-year institutions, the average family deductible is $400; for private two-year institutions, $200; and for independent schools, $400.

**Table 16**

**Coinsurance Provisions in Retiree Health-Care Plans with the Largest Retiree Enrollment (Indemnity Plans), by Percent**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Largest retiree enrollment in an indemnity plan | n=416 | n=354 | n=143 | n=211 | n=62 | n=59 | n=3 | n=66 |
| No coinsurance | 11% | 10% | 10% | 10% | 16% | 17% | — | 20% |
| 2% - 19% | 5 | 5 | 6 | 5 | 8 | 9 | — | 5 |
| 20% | 78 | 79 | 77 | 81 | 69 | 68 | 100 | 67 |
| 21% or more | 1 | 2 | * | 2 | 2 | 2 | — | 2 |
| Don't know no response | 5 | 5 | 6 | 4 | 5 | 5 | — | 9 |

*Less than 1 percent

**Table 17**

**Provision for Out-of-Pocket Maximums in Retiree Health-Care Plans with the Largest Retiree Enrollment—Indemnity and Preferred Provider Plans, by Percent**

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| Largest retiree enrollment is in an indemnity plan | n=416 | n=354 | n=143 | n=211 | n=62 | n=59 | n=3 | n=66 |
| Plan has out-of-pocket expense maximum limit | 78% | 79% | 82% | 77% | 73% | 71% | 100% | 52% |
| Does not have out-of-pocket expense maximum limit | 19 | 18 | 15 | 20 | 24 | 25 | — | 41 |
| No response | 3 | 3 | 3 | 3 | 3 | 3 | — | 8 |
| Largest retiree enrollment is in a preferred provider plan | n=77 | n=60 | n=29 | n=31 | n=17 | n=14 | n=3 | n=8 |
| Plan has out-of-pocket expense maximum limit | 79% | 83% | 85% | 84% | 65% | 71% | 33% | 100% |
| Does not have out-of-pocket expense maximum limit | 16 | 10 | 14 | 7 | 35 | 29 | 67 | — |
| No response | 5 | 7 | 3 | 10 | — | — | — | — |

**Table 18**

Maximum Out-of-Pocket Amounts in Retiree Health-Care Plans with Largest Enrollment—Indemnity and Preferred Provider Plans, by Percent[a]

| Maximum Out-of-Pocket Expense | Indemnity Plan Has Largest Retiree Enrollment | | | | Preferred Provider Plan Has Largest Retiree Enrollment | | | |
|---|---|---|---|---|---|---|---|---|
| | Per Person | | Per Family | | Per Person | | Per Family | |
| | Colleges and Universities | Independent Schools | Colleges and Universities | Independent Schools | Colleges and Universities | Independent Schools | Colleges and Universities | Independent Schools |
| Total reporting type of plan and maximum out-of-pocket expense | n=325 | n=34 | n=325 | n=34 | n=61 | n=8 | n=61 | n=8 |
| Under $500 | 5% | 6% | 1% | —% | —% | —% | —% | —% |
| $500 - $999 | 31 | 21 | 8 | 9 | 27 | — | 5 | 13 |
| $1,000 | 21 | 18 | 7 | 6 | 21 | 25 | 5 | 13 |
| $1,001 - $1,999 | 13 | 24 | 13 | 24 | — | — | 23 | — |
| $2,000 | 7 | 9 | 6 | 9 | 5 | 13 | 8 | 13 |
| $2,001 - $4,999 | 5 | 9 | 13 | 9 | 12 | 13 | 10 | — |
| $5,000 | 6 | — | 1 | 6 | — | — | 8 | 13 |
| $5,000 and over | 2 | — | 1 | — | — | — | 2 | — |
| No response | 11 | 15 | 51 | 38 | 18 | 38 | 39 | 50 |

[a] Percentages may not add to 100 because of rounding.

**Table 19**

Cost Containment Measures Currently in Retiree Health-Care Plans with Largest Enrollment, by Percent

Comparison of 1992 and 1987 Surveys

| | Colleges and Universities | | Independent Schools | |
|---|---|---|---|---|
| | 1992 | 1987 | 1992 | 1987 |
| Total reporting retiree plan with largest enrollment | n=509 | n=419 | n=79 | n=116 |
| Hospital preadmission certification | 71% | 44% | 72% | 23% |
| Utilization monitoring or review | 67 | 26 | 47 | 17 |
| Preadmission testing for inpatient hospital care | 55 | 56 | 61 | 45 |
| Generic drug program incentives | 46 | 31 | 39 | 16 |
| Incentives for outpatient surgery | 38 | 70 | 28 | 51 |
| Mandatory second opinion for surgery | 38 | 29 | 53 | 14 |
| Case management for large claims[a] | 62 | * | 51 | * |

[a] Question not asked in 1987 survey.

*Coinsurance* Under an indemnity health-care plan, the copayment or coinsurance percentage defines the portion of covered medical expenses paid for by the insured. Table 16 shows the reported coinsurance percentages in the indemnity plans with the largest retiree enrollments. About three-quarters of the indemnity plans use the conventional 20% coinsurance amount. Coinsurance amounts higher than 20% are rare.

Of the preferred provider plans with the largest retiree enrollments (not shown in the table), 60% report coinsurance amounts of 20% for out-of-network services; 30% report 10% coinsurance; and 10% report 30% coinsurance. For in-network services, zero coinsurance amounts or specific (moderate) per-service dollar charges were generally reported.

## Out-of-Pocket Maximums

A plan's out-of-pocket maximum states the limit, if any, on the total amount that an insured or family has to pay in any calendar year in the form of deductible and coinsurance amounts for covered medical expenses. Beyond the out-of-pocket maximum, the plan will pay 100% of recognized medical charges. In preferred provider plans, the maximum out-of-pocket amount applies only to out-of-network medical charges.

Our survey found that, generally, three-quarters or more of the plans with the largest enrollments of retirees (including both indemnity and preferred provider plans) do incorporate out-of-pocket maximums, with some variations by institutional type and control. Table 17 details the extent of out-of-pocket maximums in the reported plans.

*Maximum Amounts Stated* Table 18 shows the maximum out-of-pocket expense limits for the plans with the largest retiree enrollments—indemnity plans and preferred provider plans—on both a per person and a per family basis.

Maximum out-of-pocket amounts under indemity plans on a per person basis are mainly concentrated in the $500 to $2,000 range. For colleges and universities, the maximums of about 12% of plans extend into the $2,001 to $5,000 range. Family maximums generally extend into higher ranges than per person maximums, particularly in the indemnity plans reported by independent schools.



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The average out-of-pocket maximums in the indemnity plans are $1,400 per person and $2,000 per family in the colleges and universities, and $1,200 per person and $2,500 per family in the schools. About half of the colleges and universities and a third of the independent schools did not provide the family out-of-pocket maximum expense figure for their plans. Among the preferred provider plans reported as having the largest retiree enrollment, the average maximum out-of-pocket expense amounts are $1,400 per person and $2,800 per family in colleges and universities, and $1,700 per person and $2,200 per family in independent schools.

## Current Cost Containment Provisions

Our survey asked whether certain specific cost containment provisions are currently in place in the retiree health-care plans with the largest enrollment. Table 19 shows the results and compares them with responses to a similar question in our 1987 survey.

The incidence of cost containment features has increased substantially over the last five years. Most notable is hospital preadmission certification, reported currently by 71% of college and university plans and by 72% of independent school plans; this compares with 44% of college and university plans and 23% of independent school plans reporting the feature in 1987.

A program of utilization monitoring or review is reported in 1992 by 67% of college and university plans and by 47% of independent school plans. This compares with 26% of college and university plans and 17% of independent school plans in 1987. A mandatory second opinion for surgery is reported currently by 58% of college and university plans and by 53% of independent school plans, compared with 29% of colleges and universities and 14% of independent schools in 1987.

Other cost containment features currently reported include preadmission testing for inpatient hospital care (performance of tests prior to rather than after hospital admission), reported by 55% of college and university plans and 61% of independent school plans. In 1987, 56% of colleges and universities and 45% of independent schools reported preadmission testing. Growth in generic drug program incentives is also evident; this feature is now reported by 46% of college and university plans and by 59% of independent school plans, compared with 31% and 16% of plans, respectively, in 1987.

Case management provisions for large medical claims are currently reported by 62% of college and university plans and 51% of school plans; comparable figures are not available from the 1987 survey.

## Coordination with Medicare Benefits

*Coordination Methods* When a retiree becomes eligible for Medicare, an employer-sponsored plan for retirees automatically becomes the secondary payer and integrates plan benefits with the benefits of Parts A and B of Medicare. Three general methods are used to avoid duplication of benefits and to integrate health-care benefits with Medicare. These methods, generally applicable to charges under indemnity plans, are "coordination of benefits," "carve-out," and "exclusion." Our questionnaire briefly described each method and asked each institution to check the method used.

The coordination-of-benefits method is reported by 47% of the colleges and universities and 55% of the independent schools responding to this question. Under this method, the employer-sponsored plan pays the difference between the Medicare payment and the total charge as long as that difference is less than the total amount the employer's plan (applying its own provisions) would have paid in the absence of Medicare.

The carve-out method is reported by 22% of colleges, universities, and independent schools. A carve-out plan calculates the amount it would have paid in the absence of Medicare and then subtracts from its payment the amount of the Medicare payment and pays the remainder, applying its own deductibles and coinsurance.

The exclusion method is reported by 19% of college and university plans and 9% of school plans. Under the exclusion method, the Medicare payment is subtracted from the total charge first. The plan's payments are then calculated on the remainder, after its own deductibles and coinsurance are applied.

*Allowable Charges* We asked whether the Medicare-coordinated retiree health-care plan pays (after applying its own deductibles and coinsurance) *any part* of a physician's fee that may exceed Medicare's allowable charge under Part B. Fifty-eight percent of college and university plans and 47% of independent school plans reported that such charges, at least in part, are recognized in their plan's coverage.

*Medicare and HMOs* Medicare beneficiaries may enroll in and become covered under an HMO if the organization has signed a Medicare contract with the government and the plan covers the geographic area in which the enrollee resides. An out-of-pocket premium is charged the retiree to cover the deductibles and coinsurance ordinarily paid for by a Medicare beneficiary; the remainder of the HMO premium is paid by Medicare. Under these arrangements, traditional coordination-of-benefits methods do not normally apply.

## Cost-Shifting Changes in the Last Three Years

Rising health-care costs have resulted in considerable cost shifting from employers to employees and retirees. As Table 8 (page 7) shows, employers and retirees are increasingly sharing plan costs, and employer-pay-all plans for retirees age 65 and over have decreased. In addition, other ways may be utilized to shift costs to employees and retirees. As an additional gauge of the extent to which institutions have implemented cost-shifting features within the last three years, or are considering for the future, we asked about a listed array of cost-shifting measures. The results are shown in Table 20 on page 16 and described below.

*Contributions* Overall, a quarter of the colleges and universities say they increased the contributions of retirees to their health-care plan in the last three years. As Table 20 shows, a higher percentage of public four-year institutions—34%—increased retiree contributions, compared with 24% of private four-year institutions. About 15% of colleges and universities are now considering increases for the future. A smaller but significant proportion of independent schools (13%) has increased retiree contributions or is now considering doing so (9%). Increased retiree premi-



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ums may partly or fully cover increases in insurers' charges for the coverage, or may be in amounts that can effectively reduce the employer's cost for the plan.

For the health-care coverage of spouses, overall about 28% of four-year institutions, 14% of two-year institutions, and 12% of independent schools report increasing the contributions required for spouse coverage within the past three years. Over a third of public four-year institutions have increased spouse-coverage contributions in the last three years. Those now considering increased contributions for spouse coverage (or reduced employer contributions) include 16% of private four-year institutions, 7% of public four-year institutions, and 6% of independent schools.

Elimination of the employer contribution for retiree health care within the last three years is reported by 5% of public and 4% of private four-year institutions. Overall, about 10% of institutions say they have discontinued employer contributions in the last three years or are now considering discontinuing them.

We asked institutions that reported any type of actual or contemplated cost shifting of contributions to retirees whether they plan to offset the change by increasing contributions to the retirement plan or by taking other measures. About 16% of colleges and universities and 25% of independent schools indicated that they plan to take some offsetting measures (not shown in Table 20).

*Benefits* Overall, nearly a quarter of the colleges and universities and about a fifth of the independent schools report that they have increased plan deductibles (i.e., decreased benefits) within the last three years. A third of public four-year colleges and universities report increases in their plan deductibles. Institutions now considering increased deductibles include 7% of public and 18% of private four-year colleges and universities, and 11% of independent schools.

Recent increases in the other out-of-pocket retiree cost for health care—the coinsurance percentage—are reported by 17% of public and 6% of private four-year colleges and universities, and by 5% of independent schools. Variations by type and control of institution are evident in Table 20, both for the reporting of recent changes and the proportions now considering a change in coinsurance percentages.

Relatively few institutions report that

**Table 20**

Summary of Cost-Shifting Measures in Retiree Health-Care Plans Made in the Past Three Years or Now Being Considered, by Percent

| | All Colleges and Universities | Four-Year Institutions | | | Two-Year Institutions | | | Independent Schools |
|---|---|---|---|---|---|---|---|---|
| | | Total | Public | Private | Total | Public | Private | |
| | n=597 | n=491 | n=193 | n=298 | n=106 | n=97 | n=9 | n=99 |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Contributions | | | | | | | | |
| ***Increased retiree contributions*** | | | | | | | | |
| Done in past 3 years | 25% | 28% | 34% | 24% | 11% | 12% | —% | 13% |
| Now considering | 15 | 16 | 9 | 21 | 12 | 12 | 11 | 9 |
| ***Increased spouse or dependent contributions*** | | | | | | | | |
| Done in past 3 years | 25% | 28% | 37% | 21% | 13% | 14% | —% | 12% |
| Now considering | 12 | 13 | 7 | 16 | 11 | 11 | 11 | 6 |
| ***Eliminated employer contribution*** | | | | | | | | |
| Done in past 3 years | 4% | 4% | 3% | 4% | 2% | 2% | —% | 8% |
| Now considering | 6 | 6 | 2 | 8 | * | 6 | 11 | 9 |
| Benefits | | | | | | | | |
| ***Increased plan deductible*** | | | | | | | | |
| Done in past 3 years | 24% | 26% | 34% | 21% | 14% | 16% | —% | 19% |
| Now considering | 13 | 14 | * | 18 | 9 | 10 | — | 11 |
| ***Increased retiree coinsurance*** | | | | | | | | |
| Done in past 3 years | 9% | 10% | 17% | 6% | 5% | 5% | —% | 5% |
| Now considering | 8 | 8 | 5 | 10 | 9 | 9 | — | 5 |
| ***Switched to defined-dollar approach*** | | | | | | | | |
| Done in past 3 years | 2% | 2% | 3% | 2% | —% | —% | —% | 3% |
| Now considering | 8 | 8 | 4 | 11 | 6 | 5 | 11 | 6 |
| ***Expanded managed-care provisions*** | | | | | | | | |
| Done in past 3 years | 17% | 17% | 29% | 10% | 16% | 17% | 11% | 13% |
| Now considering | 15 | 16 | 11 | 18 | 14 | 14 | 11 | 13 |
| ***Increased eligibility requirements*** | | | | | | | | |
| Done in past 3 years | 4% | 5% | 4% | 5% | 3% | 3% | —% | 2% |
| Now considering | 11 | 12 | 3 | 19 | 8 | 8 | — | 12 |



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they have switched their retiree health-care financing to a defined-dollar approach—about 2% of four-year colleges and universities and 3% of independent schools. A defined-dollar approach provides to the retiree a specific payment from which health-care coverage is purchased, either from among the employer's available group health-care plans or through individual policies. Between 4% and 11% of institutions (depending on type and control of institution) indicate that they are now considering such an approach.

In the last three years, the addition of managed-care approaches to the provision of retiree health care is reported by 29% of public and by 10% of private four-year institutions. Similarly, 17% of public and 11% of private two-year institutions report this development, along with 13% of independent schools. As Table 20 shows, about 15% of the institutions report that they are now considering the introduction of managed-care provisions for their retirees' health-care coverage.

Another approach to benefit cost control for retiree health-care coverage is to increase age, service, or other requirements for plan eligibility. Overall, only about 4% to 5% of colleges and universities and 2% of independent schools report changing their eligibility rules within the last three years. However, consideration of eligibility changes for the future is reported by 11% of all colleges and universities and by 12% of independent schools.

## Health-Care Benefit Communications

*Employees Approaching Retirement* How do institutions communicate information about future health-care benefits to employees approaching retirement? We found that individual counseling sessions predominate, reported by about 80% of four-year colleges and universities, 70% of two-year institutions, and 60% of independent schools. The next most frequently reported method is employee manuals or booklets, reported by about half the respondents, with no appreciable differences by type or control of institution. Also reported, again by about half the respondents, is the use of special information letters to employees who are planning to retire.

*Our survey finds that there has been a decline over the past five years in the proportion of educational employers who provide health-care coverage for retirees.*

Preretirement seminars for groups of employees about to retire are reported by 54% of public and 23% of private four-year institutions, and by about a third of public two-year colleges.

*Information for Retired Employees* How do institutions maintain communication with retired employees, who have perhaps left the campus area, about their health-care benefits? Our survey found that special mailings to retirees are the major means of communication, reported by about three-quarters of the institutions, followed by individual counseling sessions for retirees in the local area (reported by about half the institutions), and by descriptive health-care plan booklets, reported by about 40% of colleges and universities and 30% of independent schools. Other, but less frequently reported, means of communication—used by about 20% of colleges and universities and by about 7% of independent schools—include information from a toll-free telephone number, special meetings on health-care benefits, and newsletters.

*Retirement Planning Programs* We asked institutions reporting health-care plan coverage for retirees if they offer a retirement planning program for employees. Except for public four-year colleges and universities, among which 58% report a retirement planning program, somewhat less than half the respondents say they have such a program—37% of private four-year institutions and about a third of two-year institutions. Among independent schools, 22% report a retirement planning program. We also asked if the retirement planning program includes information on retiree health-care coverage. Most, but not all, retirement planning programs do include such information. Ninety-five percent of programs in public four-year colleges and universities include retiree health-care information, as do 81% of programs in private four-year institutions. Just over half the retirement planning programs in independent schools report including health-care plan information.

## Summary

*Decline in Coverage* Our survey finds that there has been a decline over the past five years in the proportion of educational employers who provide health-care coverage for retirees. There is, moreover, a striking (and increasing) difference in the extent of retiree health-care coverage reported by public and private employers in higher education. For the most part, the decline has taken place among private institutions. The percentage of private four-year institutions reporting coverage for retirees under age 65 declined from 72% in 1987 to 46% in 1992; for retirees age 65 and over, the percentages declined from 67% in 1987 to 45% in 1992. Greater declines are observed in independent schools. While 53% reported health-care coverage for retirees under age 65 in 1987, only 18% report it in 1992. Similarly, for retirees age 65 and over, the decline was from 54% providing coverage in 1987 to 18% in 1992.

In contrast, 96% of public four-year institutions reported coverage for retirees under age 65 in 1987, and 92% report such coverage in 1992, representing only a slight decline. For coverage of retirees age 65 and over, there was virtually no change: 91% of public four-year institutions reported coverage in 1987, and 90% in 1992.

The decline in the proportion of educational employers providing retiree health-care coverage, particularly in the private sector, seems most likely to be due to a combination of factors. They include slow-growth educational budgets, upward pressures on overall health-care costs in the U.S., and increases in health-care insurance rates.

*Tighter Eligibility Rules* Generally, the eligibility requirements for retiree participation in health-care plans are similar in

*We see growing evidence of a two-tier system . . . in which retirees in the public educational sector are more likely to have employer-provided health-care coverage than are retirees in the private sector.*

public and private institutions. Provisions that combine age and service predominate for those retiring before age 65. For those who retire at age 65 and over, age requirements only, combined service and age requirements, or rules that combine age and service with a required total are reported. We found that between 1987 and 1992, eligibility rules for retiree coverage have generally been tightened. The adoption of stricter eligibility rules can, at least in part, be interpreted as a cost-reduction strategy.

*Increased Cost Sharing* Over the 1987-1992 period, our survey generally found an increase in cost sharing for retiree coverage between employer and employee and a concurrent decrease in the proportion of plans in which the employer pays the full cost. Roughly, health-care costs are now shared in about a third of the four-year college and university plans covering retirees age 65 and over (compared with 21% in 1987); employers now pay the full cost in about a third; and the retiree pays the full cost in about a third. For coverage of a retiree's spouse, when the retiree is 65 and over, fewer institutions—about 14%—now pay the full cost. Over the 1987-1992 period, there has been an increase in plans in which spouse coverage is fully paid for by the retiree. Cost-sharing arrangements in public and private institutions are found to be quite similar.

Over the last five years, in addition to the increasing joint employer-retiree role in supporting the cost of retiree health-care coverage, other cost-shifting measures have been introduced. In response to our questionnaire checklist of measures that have been introduced in the last three years, about a quarter of colleges and universities report that they have increased the premium amounts charged retirees and spouses for their coverage; 3% to 4% have eliminated employer contributions; a quarter have increased deductible amounts; 17% of public and 6% of private institutions say they have increased coinsurance amounts; and from 10% to 29%, depending on the type of institution, have added new managed-care features.

*Plan Choices* Over the last five years, moderate growth in plan types available to retirees has occurred. A majority of colleges and universities (58%) and just under half of independent schools (47%) now offer retirees more than one basic type of health-care plan. In 1987, 54% of colleges and universities reported HMOs and 20% reported PPO enrollments.

Generally, when more than one plan is offered, a conventional indemnity plan is accompanied by regular HMOs, point-of service HMOs, and/or a PPO. A total of 55% of colleges and universities now report offering either HMOs (47%) or point-of-service HMOs (8%), and 34% report a PPO plan. (There may be considerable overlap for multiple plan-types in these figures.)

The growth in multiple plans reflects employers' efforts to seek control of plan costs through managed-care alternatives. Nonetheless, the plans with the largest retiree enrollments for retirees 65 and over are usually indemnity plans (many of which now have managed-care features), as reported by 70% of colleges and universities and 67% of independent schools. Generally, we conclude that indemnity plans and "out-of-network" preferred provider coverages incorporate the user flexibilities that are appropriate to the geographic mobility of retiree groups compared with active employees.

*Cost Containment Provisions* A struggle for cost containment is a dominant theme in employers' health-care management today. Over the 1987-1992 period, we have found increased incidence of specific plan features that are typical of efforts for cost containment: requirements for hospital preadmission certification, reported by 71% of college and university plans in 1992, compared with 44% in 1987; programs for utilization monitoring or review, reported by 67% of plans in 1992, compared with 26% in 1987; mandatory second opinion for surgery, reported by 58% of plans in 1992, compared with 29% in 1987; and generic drug program incentives, reported by 46% of plans in 1992, compared with 31% in 1987. Similar growth in these features is also found in the retiree health-care plans of independent schools.

## Conclusion

Access of retirees to health care in the U.S. is based mainly on insurance coverage obtained through employer-sponsored plans, Medicare, and individually purchased "Medigap" policies. On a per capita basis, Medicare now pays only about 45% of the health-care costs of persons age 65 and older; individual policies are relatively expensive supplements and incorporate many limitations.[8]

Our survey of retiree health-care coverage in colleges, universities, and independent schools reveals an array of multiple plans, a variety of mechanisms to coordinate benefits with Medicare, wide variations in eligibility rules for access to postretirement health care, and increased resort to managed-care solutions for escalating medical costs. We also see a significant decline in the last five years in the proportion of private educational employers who are willing (or able) to provide retiree health-care coverage. And we see growing evidence of a two-tier system of retiree health-care protection in education, one in which retirees in the public educational sector are more likely to have employer-provided health-care coverage than are retirees in the private sector.

Overall, our survey reveals the striving of individual educational institutions to cope with the increasingly difficult health-care issues of cost, delivery, and access—issues that are essentially national in scope. After many years of discussion and debate, it now seems that much more serious attention may be given to the issue of health-care reform. Three years ago, the U.S. Bipartisan Commission on Comprehensive Reform (the Pepper Commission) made its proposals for universal health-care coverage and system reform.[9] Since that time, pressures for reform have



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greatly increased. Serious study of the health-care systems of other industrialized nations suggests that substantial administrative and delivery cost controls—and universal access—can be achieved in the U.S. by observing other models, this despite the fact that other nations too are contending with their own cost pressures, brought on by expensive new treatments, dramatic new horizons in medical research, aging populations, and rising patient expectations. But while a national debate continues, educational and other employers face immediate imperatives in managing health-care costs, as well as in responding to new FASB rules for the accounting of such costs.

Just over two years ago, we published an issue of *Research Dialogues* (no. 27, October 1990) entitled "Health Care Access and Delivery: A Look Ahead." If need for reform in the U.S. health-care system is now even more evident, it seems appropriate to repeat here the concluding paragraph in that report: "Universal health-care access and cost management will be the double theme of the health-care debate of the 1990s. Administrators and others responsible for the health-care plans for active and retired college and university employees will be among those affected by the outcome. The academic community will no doubt participate actively in the discussions. As the nation prepares a health-care model for the twenty-first century, the observation ascribed to Winston Churchill may once more be borne out: 'Americans can always be counted on to do the right thing, after having tried everything else.' The coming . . . health-care debate will test this proposition." *(This report was prepared for* Research Dialogues *by Francis P. King, Senior Research Officer, TIAA-CREF.)* ⌟

## Endnotes

[1] For a complete discussion of the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS), no. 106, and of the implementation of required accounting procedures, see National Association of College and University Business Officers, *Nonpension Postretirement Benefits: Strategies for Colleges and Universities* (Washington, D.C.: National Association of College and University Business Officers, 1992).

[2] In a 1990 survey of retiree health-care plans in colleges and universities by Coopers & Lybrand Co., 69% of respondents reported a health-care plan for retirees. The survey was based on a questionnaire mailed to 2,060 members of the National Association of College and University Business Officers, with 602 responding (29% response rate). The 1990 survey is described in National Association of College and University Business Officers, *Nonpension Postretirement Benefits*, 21, 23.

In a 1989 survey of health-care plans for retirees in colleges and universities based on replies from 1,103 colleges and universities (66% response rate), by Daniels and Daniels, it was reported that 68% of private colleges and universities and 93% of public colleges and universities offered health-care benefits for retired employees (Craig E. Daniels and Janet D. Daniels, "College Faculty: The Retirement Decision and Retiree Health Benefits," *CUPA Journal* [Spring 1992]: 5, 6).

[3] In the 1987 TIAA-CREF survey, responses were received from 660 colleges and universities and 269 independent schools. These represented response rates of 44% and 51%, respectively.

[4] All of the public and 99% of the private colleges and universities responding to the 1992 TIAA-CREF health-care survey offered a health-care plan for active employees, as did 97% of independent schools.

[5] Reported in Joseph S. Piacentini and Jill D. Foley, *EBRI Databook on Employee Benefits* (Washington, D.C.: Employee Benefit Research Institute, 1992), 284, 286. The coverage percentages reported for all responding employers reporting retiree coverage (60% for retirees under age 65 and 54% for retirees age 65 and over) include both private and governmental employers. Since governmental employers are more likely to report retiree health-care plans than are private employers, the overall percentages combining the two may tend to overstate coverage rates for private employers in some industry groups.

[6] U.S. General Accounting Office, *Employee Benefits: Extent of Companies' Retiree Health Coverage* (Washington, D.C.: GAO/HRD-90-92, 28 March 1990), 4.

[7] Commerce Clearing House, *1991 Medicare Explained* (Chicago: Commerce Clearing House, Inc., 1991), 146–48.

[8] Source of payment data for Medicare expenditures: Health Insurance Association of America, *Source Book of Health Insurance Data, 1991* (Washington, D.C.: Health Insurance Association of America, 1991), 46.

[9] U.S. Bipartisan Commission on Comprehensive Health Care, "Access to Health Care and Long-Term Care for All Americans," Recommendations to the Congress, 101st Cong., 2d sess., 2 March 1990 (Washington, D.C.: U.S. Government Printing Office, 1990).

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